**MANAGEMENT PRINCIPLES AND HUMAN RESOURCES**

Collection of exercises – Financial Accounting

**EXERCISE 1 – ESSECT**

The 2008 Balance Sheet of the Essect Company is reported in the following table (data are expressed in thousand euro)

|  |  |  |  |
| --- | --- | --- | --- |
| **Non current assets** | **23.500** | **Equity** | **31.000** |
| Property, Plant and Equipment | 14.000 | Issued capital | 20.000 |
| Investment property | 4.500 | Share premium accounts | 1.500 |
| Intangible assets with indefinite useful life  | - | Revaluation Reserve | 1.000 |
| Intangible assets with definite useful life  | 5.000 | Other reserves | 3.000 |
| Holdings | - | Retained earnings | 1.500 |
| Other Financial activities | - | Net Income/Loss | 4.000 |
| **Current assets** | **35.000** | **Non current liabilities** | **18.000** |
| Receivables and others | 6.000 | Debt in issue | - |
| Debt to bank | 12.000 |
| Inventories | 3.000 | Other non current financial liabilities | - |
| Work in progress on ordination | - | Risk and charges | 2.500 |
| Funds to personnel | 3.500 |
| Current financial activities | 1.000 | **Current Liabilities** | **14.500** |
| Debt in issue | - |
| Cash and cash equivalent | 25.000 | Debt to bank | 10.000 |
| **Discontinued operations** | **5.000** | Debt to suppliers | 4.250 |
|  |  | Other financial current liabilities | 250 |
| Tax debt | - |
| Other current liabilities | - |
| **Liabilities related to discontinued operations** |  |
| **TOTAL ASSETS** | **63.500** | **TOTAL LIABILITIES** | **63.500** |

By reading the Notes to the Financial Statement we know that:

1. Issues capital is composed by 400.000 ordinary shares
2. The Essect uses the fair value model
3. Depreciation is calculated following the linear model
4. The item Property, Plant and Equipment refers to:

A production plant, bought in 2007 (01/01/2007), value 12.000 k€ and useful life 6 years

A storehouse, with residual useful life of 5 years (2009 is included)

1. The item Intangible Assets with Definite Useful life refers to a brand, bought in 2006. At end of 2008, the residual useful life is 2 years
2. The item Investment Properties refers to some apartments
3. The Revaluation Reserve refers to the production plant. This plant have been revaluated (1.000 k€) at the end of 2008 (31/12/2008).
4. The item Current debt to bank refers to a debt, started in July 2008 (01/07/2008), that will last 15 months. The annual interest rate is 55 and borrowing costs are paid at the end of the debt. The related 2008 debt is accounted in the item Other current financial liabilities
5. Non-current debt to bank have an annual interest rate of 10% and the payment of borrowing cost is postponed every 4 months (starting from the 30/04 of each year). The 20% of these debt will be paid back at the end of 2010.
6. Discontinued operations refer to a plant (accounted value 5.000k€) that will be sold in January 2009 and it was paid by cash (4.800 k€).
7. The Essect signed an agreement with the Clean Company for the provision of cleaning services. Following the agreement(signed at the beginning of Septemebr 2008 and that will last 2 years) the Essect has to pay in advance the annual fee (1.800 k€). The payment related to 2009 is accounted in the item Receivables and other
8. Average time to pay suppliers is 3 months
9. Average time to collect commercial credit is 4 months

During 2009 the following events occurred:

1. Distribution of the 60% of the 2008 Net Income
2. Selling of finished goods, realizing revenues of 42.0000 k€. The Essect usually stores the 5% of the allowed credit
3. Purchase of raw material, 6.000 k€
4. Payment severance package, 1.500 k€
5. Capital increase of 600k€. Payment of shareholder for capital increase is 800k€.
6. Purchase of a new plant (5.000 k€ and useful life 5 years) in January 2009 (01/01/2009). To funds the bought of the plant, the Essect asked and received a three-years debt (2.400 k€) in March 2009 (01/03/2009). The annual interest rate is 10% and borrowing costs are paid following the accrual accounting principle.
7. Cost of personnel, 5.000 k€ and a related 305 is stored in Funds to personnel.
8. At the end of the year (31/12/2009), the Essect sold the storehouse (price 3.500 k€). The buyer piad the 805 by cash, while the remaining part will be paid in 2010.
9. The Essect provided a consultancy services. The total value of the service is 3.000 k€. The 50% of payment will be received in 2010.
10. Inventories of finished goods increased (1.500 k€), while that of raw material decreased (500 k€).

You also know that:

1. At the end of 2009, the value of Investment properties increased (500k€)
2. The value of Current financial liabilities decreased (250k€)

Please account for the information received and provide the 2009 Income Statement

**EXERCISE 2 – ALBERIO**

The 2010 Balance Sheet of the Alberio Company is reported in the following table (data are expressed in thousand euro)

|  |  |  |  |
| --- | --- | --- | --- |
| **Non current assets** | **28.000** | **Equity** | **52.880** |
| Property, Plant and Equipment | 20.000 | Issued capital | 40.000 |
| Investment property | - | Share premium accounts | - |
| Intangible assets with indefinite useful life  | 1.000 | Revaluation Reserve | 300 |
| Intangible assets with definite useful life  | 5.000 | Other reserves | 5.880 |
| Holdings | 2.000 | Retained earnings | 2.000 |
| Other Financial activities | - | Net Income/Loss | 4.700 |
| **Current assets** | **52.000** | **Non current liabilities** | **13.000** |
| Receivables and others | 20.000 | Debt in issue | - |
| Debt to bank | - |
| Inventories | 10.000 | Other non current financial liabilities | - |
| Work in progress on ordination | - | Risk and charges | 4.000 |
| Funds to personnel | 9.000 |
| Current financial activities | 2.000 | **Current Liabilities** | **15.120** |
| Debt in issue | - |
| Cash and cash equivalent | 20.000 | Debt to bank | 12.000 |
| **Discontinued operations** | **1.000** | Debt to suppliers | 3.000 |
|  |  | Other financial current liabilities | 120 |
| Tax debt | - |
| Other current liabilities | - |
| **Liabilities related to discontinued operations** | **0** |
| **TOTAL ASSETS** | **81.000** | **TOTAL LIABILITIES** | **81.000** |

Additional information are provided by the Notes to the Financial Statement:

1. Issued capital is composed by 200.000 ordinary shares
2. The Alberio Company adopts the fair value model
3. The item *Property, Plant and Equipment* refers to:
* An assembly plant, value 14.000 k€ and residual life 7 years (2011 is included)
* A packaging plant, bought in 2010 (01/01/2010) with useful life of 4 years. The Revaluation Reserve refers to this plant
1. The item *Intangible Assets with definite useful life* refers to a brand bought in 2008 (01/01/2008) useful life 7 years (in 2008)
2. Depreciation rate is calculated following the linear model
3. The Alberio does not have Investment Properties
4. *Current debt to bank* refers to:
* A debt (8.000 k€) started in 2009 that will last 24 months. Borrowing costs are paid following the accrual accounting principle at the end of the year. The annual interest rate is 10%
* A debt (4.000 k€) started in September 2010 (01/09/2010) that will last 12 months. The annual interest rate is 9% and borrowing costs are all paid at the end of the debt. Costs related to 2010 are accounted in the item *Other current financial liabilities*;
1. Debt to suppliers have an average time payment of 2 months
2. The Alberio Company signed an agreement with the Chemblo Company for the provision of security services. This agreement, signed in August 2008 (01/08/2008), will last 2 years and it establishes that the three-months fee (300k€) should be paid in advance. Related receivable is accounted in the item *Receivables and Others*.

 In 2011 the following event occurred:

1. Distribution of the 50% of the 2010 Net Income
2. Purchase of raw material, 6.000k€
3. At the beginning of the year (01/01/2011), the Company rented a production plant (annual fee 100k€)
4. Selling of finished goods, realizing 80.000 k€ revenues. Average time to collect receivable is 3 months. The Company usually stores the 55 of the allowed credit
5. The Company collected only 700k€ from a failed client (related credit was 1.000k€). The remaining commercial credit (related to selling of finished goods) accounted at the end of 2010 is completely collected.
6. The item Discontinuing operations refers to a plant sold in July 2011. It was paid by cash, generating a capital gain of 200 k€
7. Issue of 10.000 new shares (nominal value 200€ and price 210€). Shareholders paid the total amount by cash
8. Cost of personnel equal to 10.000k€. A related 205 is stored in Funds to Personnel. In addition, the Company paid severance packages for 1.100k€.
9. At the end of the year, the Company decided to buy the production plant (value 9.000k€, useful life 5 years) and it was paid by cash. Depreciation of this plant will start in 2012. To fund the bought of the plant, the Alberio sold the packaging plant at a price of 6.000k€
10. Inventories of finished goods decreased (1.000 k€) while that of raw material increased (100 k€)
11. Purchase of a patent, paid by cash. The value of the patent is 800 k€, useful life 10 years and it will be used starting from January 2012.

You also know that:

1. At the end of 2011, the Impairment test highlights a loss of value for the Item Intangible assets with indefinite useful life
2. At the end of 2011 a loss of value (600 k€) for the assembly plant
3. The 50% of taxes (5.000 k€) are paid in 2011, while the remaining part will be paid in 2012

Please account for all the information and provide the 2011 Income Statement

**EXERCISE 3 – BARBAMONTE**

The 2007 Balance Sheet of the Barbamonte Company is reported in the following table 8data are expressed in thousand euro)

|  |  |  |  |
| --- | --- | --- | --- |
| **Non current assets** | **40.275** | **Equity** | **30.100** |
| Property, Plant and Equipment | 16.875 | Issued capital | 15.000 |
| Investment property | 6.200 | Share premium accounts | 5.400 |
| Intangible assets with indefinite useful life  | 5.000 | Revaluation Reserve | 1.400 |
| Intangible assets with definite useful life  | 1.000 | Other reserves | 600 |
| Holdings | 3.000 | Retained earnings | 2.300 |
| Other Financial activities | 8.200 | Net Income/Loss | 5.400 |
| **Current assets** | **31.100** | **Non current liabilities** | **23.800** |
| Receivables and others | 8.000 | Debt in issue | 6.000 |
| Debt to bank | 8.000 |
| Inventories | 7.100 | Other non current financial liabilities | 4.300 |
| Work in progress on ordination | - | Risk and charges | 1.500 |
| Funds to personnel | 4.000 |
| Current financial activities | 4.200 | **Current Liabilities** | **23.600** |
| Debt in issue | - |
| Cash and cash equivalent | 11.800 | Debt to bank | 6.000 |
| **Discontinued operations** | **6.125** | Debt to suppliers | 7.000 |
|  |  | Other financial current liabilities | 5.000 |
| Tax debt | 5.600 |
| Other current liabilities | - |
| **Liabilities related to discontinued operations** | **0** |
| **TOTAL ASSETS** | **77.500** | **TOTAL LIABILITIES** | **77.500** |

Additional information are provided by the Notes to the Financial Statement:

1. Issued capital is composed by 1.500.000 ordinary shares
2. The Barbamonte Company uses the fair value model
3. The item *Property, Plant and Equipment* refers to
* A production plant bought in 2002 (01/01/2002), value 10.400 k€ and useful life 8 years
* A storehouse, bought in 2003 (01/01/2003), value 25.750 and useful life 10 years
1. Depreciation rate is calculated following the linear model
2. *Holdings* refers to the Sapor Company, with respect to which the Barbamonte has the 40% of shares
3. The *Revaluation Reserve* refers to the storehouse, that have been re-evaluated at the end of 2007 (1.400 k€)
4. The item *Investment Properties* refers to different apartments
5. The Item *Current debt to bank* refers to a debt started in October 2007 (01/10/2007) that will last 12 months. The annual interest rate is 7% and borrowing costs are paid following the accrual accounting principles
6. The item *Non-current debt to bank* refers to a debt started in 2005 (01/03/2005) that will last 5 years. The annual interest rate is 9%. Borrowing costs have to be paid in advance in March (01/03). The related credit is accounted in the item Receivable and others.
7. The Company does not have work in progress on ordination
8. The Barbamonte Company signed an agreement with the Wash Company for the provision of cleaning services. Following the agreement the Barbamonte has to pay an annual fee (2.400k€). The agreement was signed in October 2007 801/10/2007), it will last two years and the payment of the annual fee is postponed. The related credit is accounted in the item *Receivable and Others*.
9. The Company does not have *Other current Liabilities*
10. Average time to pay suppliers is 2 months
11. Average time to collect receivable was 3 months in 2007 and it will be 4 months in 2008

In 2008 the following events occurred:

1. Selling of finished goods, realizing 120.000 k€ revenues
2. In January 2008 the company bought a new plant (value 32.000 k€, useful life 4 years). The payment of the plant has to be due in two payments: in March 2008 and March 2009 (01/03/2008 and 01/03/2009). In March 2008 (01/03/20089, the Company also started a debt that will last 2 years (value 10.000 k€). The annual interest rate is 9% and borrowing cost have to be paid in advance every six months;
3. Purchase of raw material, value 54.000 k€
4. The 2007 Net Income of the Sapor company was 6.000 k€ and it distributed the 50% to shareholders.
5. Cost of personnel, 50.000 k€ and a related 20% is stored in Funds to Personnel. The Company also paid severance package, 3.000 k€
6. The Barbamonte decides not to distribute the 2007 Net Income
7. At the end of the year, the Barbamonte sold the storehouse at a price of 9.600 k€. It was completely paid by cash
8. The item Discontinuing operations refers to a plant that was sold in July 2008, generating a capital gain of 1.200 k€. The payment is split into two payments, due in July 2008 and January 2009.
9. Inventories of finished goods increased (2.000 k€), while that of raw material decreased (3.200 k€)

We also know that:

1. At the beginning of 2008, the value of Investment properties decrease (2.000 k€)
2. At the beginning of 2008, the value of the production line increased (1.000 k€)

You are required to account for the information and to provide the 2008 Income Statement

**EXERCISE 4 – PUCCIO**

The 2010 Balance Sheet of the Puccio Company is reported in the following table 8data are expressed in thousand euro)

|  |  |  |  |
| --- | --- | --- | --- |
| **Non current assets** | **47.500** | **Equity** | **57.000** |
| Property, Plant and Equipment | 34.000 | Issued capital | 40.000 |
| Investment property | - | Share premium accounts | 2.500 |
| Intangible assets with indefinite useful life  | 1.500 | Revaluation Reserve | 2.000 |
| Intangible assets with definite useful life  | 12.000 | Other reserves | 4.500 |
| Holdings | - | Retained earnings | 3.000 |
| Other Financial activities | - | Net Income/Loss | 5.000 |
| **Current assets** | **43.000** | **Non current liabilities** | **17.500** |
| Receivables and others | 10.000 | Debt in issue | - |
| Debt to bank | 10.000 |
| Inventories | 3.000 | Other non current financial liabilities | - |
| Work in progress on ordination | - | Risk and charges | 2.500 |
| Funds to personnel | 5.000 |
| Current financial activities | - | **Current Liabilities** | **20.252** |
| Debt in issue | - |
| Cash and cash equivalent | 30.000 | Debt to bank | 12.600 |
| **Discontinued operations** | **4.252** | Debt to suppliers | 7.400 |
|  |  | Other financial current liabilities | 252 |
| Tax debt | - |
| Other current liabilities | - |
| **Liabilities related to discontinued operations** | **0** |
| **TOTAL ASSETS** | **94.752** | **TOTAL LIABILITIES** | **94.752** |

Additional information are provided by the Notes to the Financial Statement:

1. Issued capital is composed by 100.000 ordinary shares
2. The item Property, Plant and Equipment refers to:
* A production plant, bought at the beginning of 2009 (01/01/2009), value 24.000 k€, useful life 6 years
* A storehouse with residual useful life (at the end of 2010) of 3 years
1. The Item Intangible Assets with definite useful life refers to a brand bought in January 2009 (01/01/2009) with a useful life of 5 years
2. The Puccio adopts the fair value model
3. Depreciation is calculates using the linear model
4. The item Revaluation Reserve refers to the storehouse
5. The item Current debt to bank refers to a debt started in October 2010 (01/10/2010) and that will last 12 months. The annual interest rate is 8% and borrowing will be paid at the end of the debt. Cost related to 2010 is accounted in the item Other current financial liabilities
6. Non-current debt to bank refers to debts started in January 2008 (01/01/2008). The annual interest rate is 10% and the payment of borrowing cost is postponed every 4 months. The 50% of these debts will be paid back in 2012.
7. The average time to pay suppliers is 2 months
8. The Puccio Company signed (01/10/2010) an agreement with the Cuore Company for the provision of transport services. The agreement will last 3 years. Following the agreement the Puccio has to pay in advance the annual fee (2.400 k€). Credits related to 2011 are accounted in the item Receivable and others.
9. Average time to collect commercial credits was 2 months in 2010 and will be 3 months in 2011.

During 2011 the following events occurred:

1. Distribution of the 40% of the 2010 Net Income
2. The Puccio bought back 30.000 ordinary shares (price 500€/share)
3. Purchase of raw material, 7.500 k€
4. Selling of finished goods, realizing 42.000 k€ revenues. The Puccio stores the 6% of the allowed credit
5. The Puccio collects dividends from a controlled companies (800k€)
6. The plant accounted in Discontinuing operations was sold, generating a capital gain (500 k€)
7. Cost of personnel is 9.000 k€ and a related 155 is stored in Funds to Personnel.
8. At the end of the year (31/12/2011) the storehouse was sold (price 15.000 k€). The buyer paid in 2011 the 60% while the remaining part will be paid in 2012.
9. The Puccio received a consultancy services (price 2.500k€) from the Fiocco Company. The 40% will be paid (by the Puccio) in 2012.
10. The total value of taxes is 3.000 k€. In 2011 the company paid only 1.000k€. The remaining part will be paid in 2012.
11. Inventories of finished goods increased (1.000k€), while that of raw material decreased (500k€)

You also know that:

1. The Impairment test highlights, at the beginning of 2011, a loss of value (400 k€) related to the production plant;
2. The Impairment test highlights, at the end of 2011, a loss of value (500 k€) related to the item Intangible assets with indefinite useful life

Please account for the information and provide the 2011 Income Statement.